



CITY COUNCIL

Finance Committee

**Thursday, March 22, 2007
Meeting Report**

Committee Members in Attendance: M. Goodman-Hinnershitz, Chair, J. Waltman, S. Fuhs

Others Attending: R. Hottenstein, V. Spencer, D. Sterner, S. Marmarou, C. Kanezo, L. Churchill, R. Hottenstein, W. Cockrell, D. Vind, L. Kelleher, A. Mukerji, A. Johnson

Ms. Goodman-Hinnershitz called the meeting to order at 5:05p.m.

I. Meeting with David Vind

Mr. Churchill introduced Mr. Vind, a brief round of introductions were exchanged between Mr. Vind and the members of Council.

Mr. Vind stated he had worked with Mr. Lundquist on the Reading portfolio, as such, he is well aware of the city's financial situation. Mr. Spencer asked for a description of Reading's long term financial outlook and available options. According to Mr. Vind, the long term financial outlook for Reading is positive. Reading has adopted policies, which have fostered systemic financial soundness. The City of Reading is challenged, as are many third class municipalities, by state mandated debt limits; however, this produces inventiveness on the part of officials.

Mr. Vind acknowledged existing debt limitations, but urged Council and the Administration to move forward on new long term projects, such as: funding the Blighted Property Review Committee and constructing a new sewer plant. Mr. Spencer asked how the City could eliminate the existing structural deficit. Mr. Vind explained structural deficits are not uncommon in Pennsylvania municipalities. Shrinking tax bases coupled with aging infrastructure are common problems that municipalities cannot completely overcome. In order to solve structural issues, revenue enhancements or a reduction in spending would be necessary.

Mr. Vind discussed the paradox of modern municipal finance. The paradox being that in order to redevelop municipalities must become encumbered with new debt. The theory being new development improves the tax base, which will pay back recent debt, outstanding debt and begin to address the structural debt. Ms. Goodman-Hinnershitz asked how the structural debt would be eliminated. Mr. Vind stated redevelopment elevates the tax base permanently. A permanent increase means proportionally increased tax revenues; this additional value would be captured

and overtime could be applied to shrinking structural debt. More simply: redevelopment literally changes the municipal structure, physically and financially.

Mr. Fuhs asked how much debt capacity the city has left. Mr. Vind reported that the City has \$75 million remaining. Mr. Fuhs was curious how much capacity would remain after construction began on the new sewer plant. Debt incurred from construction will not count against the cap, as the debt is self-liquidating and will be applied to the Sewer Enterprise Fund. Revenues generated will be used to pay off the debt, without having to impact general operations. Mr. Vind stated a sewer rate increase would be necessary to cover the cost of the project.

Mr. Waltman observed all municipal projects should be self-liquidating. Mr. Vind replied that while ideal, certain instances preclude self-liquidation. For example: providing funds for property acquisition cannot be self-liquidating since monies cannot be directly recouped.

Mr. Vind thanked Council for allowing him the opportunity to meet and answer questions. Mr. Churchill stated Mr. Vind possesses the necessary knowledge and experience to adequately serve the Readings needs. Council thanked Mr. Vind for attending the meeting.

II. Façade Program

Mr. Mukerji explained the current façade policy is to provide \$5,000.00 for residential properties, with a 50% match from the property owner and \$20,000.00 to commercial properties with the same match requirement. Ms. Johnson explained a match requirement was established to preserve the integrity of the façade program. The requirement helps Historic Preservation identify serious, viable properties.

Mr. Waltman stated the city needs to show greater flexibility when administering the program. Non-profit entities that exist on the hard work of their members and the generous donations of a few select individuals shouldn't have to be pressed into finding match funding for federal grants, grants which such organizations should be entitled to by right. Ms. Goodman-Hinnershitz agreed with respect to the requirement of match for the Façade Improvement Program. Ms. Goodman-Hinnershitz believed such a requirement is a sound fiscal policy for both commercial and residential properties. However, Ms. Goodman-Hinnershitz outlined instances where the requirement should be waived:

1. Requiring a match for non-profits, since these organizations for the most part generate income from other government dollars- compared to commercial and businesses. The non-profits also serve a public rather than a private interest.
2. It is not realistic to expect match for non-profits with limited income generating capacity. If the match is required, the projects most likely will not occur.

Mr. Mukerji accepted the position described by Ms. Goodman-Hinnershitz. However, Mr. Mukerji cautioned against Council creating too many exceptions to existing policy, for several reasons:

1. Freely awarding money will generate an increase in the number of applicants. This will quickly exhaust the available budget if Council awards large sums.
2. Fairness to previous grant recipients.

Mr. Waltman suggested any applicant could petition Council for forgiveness. Council could hold hearings and determine the validity of such requests on a case by case basis. Again Mr. Mukerji

cautioned Council against such action. Mr. Mukerji maintained that Council would be inundated with requests for exemptions. If Council were to adopt a resolution forgiving the match requirement, Ms. Johnson asked to amend the wording, to make it perfectly clear forgiveness was due to the fact Council chose to amend the existing policy. Council agreed to insert the language “as an exception to the existing façade improvement program”.

III. Office of Neighborhood Development

Mr. Cockrell presented the budget prepared for the Office of Neighborhood Development (see attached budget). Mr. Spencer asked why temporary wages line item (\$62,400.00) was almost as large as the salary line item (\$64,000.00). Mr. Cockrell explained all of his employees are temporary. Currently OND employs a number of part time college students. These students are paid anywhere between \$8.50 and \$10.00 per hour based on experience. The staff at OND is articulate, innovative and very capable. Mr. Cockrell stressed that while a college background is not a prerequisite for employment in the office, the education and skills acquired by college students are highly valued and sought after.

Mr. Fuhs thought \$10.00 per hour wage is too generous, particularly when that money could be used to create at least three full time positions. Mr. Fuhs stated \$8.50 per hour is adequate based on experiences in banking. Mr. Churchill discussed the pos and cons of full time and part time staffing. The most important benefit of full time staff is greater reliability; however, a more substantial hourly wage is proven to improve reliability for part time positions.

Mr. Cockrell continued to review the OND budget:

1. \$2,000.00 for advertising. Ads in the newspapers, meeting flyers and miscellaneous mailing;
2. \$1,500.00 for contracted services. This amount is to provide for assistance with neighborhood cleanups. Specifically trash removal;
3. \$12,000.00 for fees. The fee line item cover the production of litter education material, the establishment of a small business fund, tokens of appreciation for “good citizens”, and the quarterly production of a newsletter “Insights”, which will be distributed to community groups;
4. \$61,000.00 for General Plant supplies;
5. \$8,000.00 for Minor Capital;
6. \$3,000.00 for Travel Expenses;
7. Social Security and Pension.

The total amount requested by the Office of Neighborhood Development is \$232,751.93. Of this amount \$182,498.93 is proposed to be taken from the reallocated CDBG funds. Ms. Kelleher questioned the production of a quarterly newsletter, when a previous newsletter had been discontinued due to lack funding issues. Ms. Kelleher objected to spending resources on a separate publication, particularly one that hasn’t been vetted by the City of Reading marketing committee. Mr. Spencer asked for a detailed description of the General Plant line item.

The two largest items covered by General Plant are: The Mayor’s Neighborhood Matching Grant program, which has been budgeted at \$25,000.00 and the Group Work Camp, which has received the same amount. The matching grant program would provide \$1,000.00 grants to qualified community grants for approved projects. Groups would be required to present documentation and undergo verification by OND. The Group Work Camp is a project undertaken in collaboration with assorted religious organizations. These organizations provide college age

personnel, who then conduct cosmetic improvements on distressed properties. Council had been provided notice of the project.

Mr. Spencer opposed the salary being provided to Mr. Cockrell. Mr. Spencer asked why other division managers were compensated at a lower level. Mr. Churchill explained salaries are determined by skills possessed, experience in the position and the amount to similar positions in other municipalities. Using this calculus the Administration felt comfortable proposing \$64,000.00. Mr. Spencer expressed concern as to how OND has expanded over the last several years and the impact an expanded office will have on the general fund in 2008. Mr. Spencer observed that funding for 2007 was coming from a one time source; the reallocated CDBG dollars. In 2008 the general fund would have to absorb the cost.

Mr. Waltman objected to creating yet another program, when the City still isn't performing the basics well. Mr. Waltman promised to support any program once Codes and Police improved. Mr. Waltman doubted the ability to create synergies between OND and existing City operations. Mr. Churchill asked Council to answer a basic question: should the City be involved in organizing and developing neighborhoods? Mr. Churchill further described the usefulness of OND serving as a conduit through which citizens could access City Hall. Mr. Marmarou thought OND could produce some benefit, but the proposals made by Mr. Cockrell seemed extreme.

Mr. Cockrell touted the accomplishments of OND. Stronger neighborhood groups, active graffiti removal, improved communication with citizens being just several. Mr. Cockrell stated OND performs a vital function, a function that Council, not being involved in daily operations might not yet appreciate. Mr. Spencer asked Mr. Cockrell to describe a typical day at OND. Mr. Cockrell described several of the activities OND is presently working on. A more detailed description will be provided. Before the discussion concluded, Mr. Churchill asked Council to discuss OND with Mayor McMahon before making a final decision.

Council agreed to discuss the matter further with Mayor McMahon, should the Mayor attend the Committee of the Whole.

IV. Near Center

Mr. Cockrell explained NEAR centers provide excellent academic, athletic and art activities for children. These activities are provided free of charge, which makes the centers very attractive to local residents. Presently three sites operate during the school year:

1. St. Matthews United Methodist Church-18th & Cotton Street;
2. St. Marks Lutheran Church-10th & Windsor;
3. St. Thomas UCC-851 North 11th St.

One facility operated during the summer. This facility is St. Marks Lutheran Church. Ms. Goodman-Hinnershitz expressed a deep appreciation for the program and asked that NEAR Centers be maintained. Mr. Waltman agreed and pledged to support reasonable requests for increased funding should an increase be necessary.

Locations for a new center are being evaluated; however, issues of funding and volunteers would need to be addressed before a center could open. Mr. Cockrell explained declining volunteers is one of the programs chief limitations. Establishing a partnership with the Reading School District is just one option to keep the program running.

The Finance Committee adjourned at 7:30p.m.

Respectfully submitted by,

Christopher G. Kanezo, Deputy City Clerk